



BUDGET 2014

A handy guide for
Public Sector employees

2014 BUDGET IMPLICATIONS

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Serving the Public Sector for over 40 years, we have experienced many budgets, and seen how they can affect our customers.

Thankfully this year's Budget wasn't as severe as previous years, and for the vast majority of Public Sector employees there will be no change to your take home pay.

There was some positive announcements such as Free GP Care for children aged 5 and under. In addition, you can rest assured that you won't bear the brunt of a hike in diesel, petrol, home heating oil prices, motor tax or VRT.

To help give you an understanding of this year's Budget and its implications, we have put together a guide for you which covers the main areas of the 2014 Budget announcements relating to Tax, Pensions and Social Protection payments.

This guide covers:

- 1. A summary of the main changes announced.**
- 2. Effect of the Budget on your retirement plans.**
- 3. Effect of the Budget on retirees.**
- 4. Top money saving tips.**

We hope you find our guide useful.

If you would like some additional advice following the Budget, please note that all Public Sector employees can avail of our Financial Planning and Retirement Planning Service, free of charge.



Ivan Ahern, Director.

[To make an appointment for the Financial Planning Service,
please click here](#)

or phone (01) 408 4025.

1 SUMMARY OF THE MAIN CHANGES ANNOUNCED

Positive changes

ITEMS LEFT UNTOUCHED: There has been no increase in diesel, petrol, home heating oil, motor tax or VRT in the Budget. Core Social Protection Payments such as state pension and fuel allowance also remain unchanged. Other measures expected to be introduced in the Budget such as increases in Capital Gains Tax (CGT) and Inheritance Tax were also avoided.

- **Tax relief on Pensions:** The Government showed its ongoing commitment to Pensions by keeping the marginal tax relief on contributions to Pensions
- **Free GP visits for children aged 5 and under:** In a move to reduce the waiting times in A&E Departments countrywide, the Minister announced free GP visits for children aged 5 and under
- **Home Renovation Incentive (HRI):** Tax relief, to be calculated at 13.5% of works, will be available on home renovations carried out in 2014 and 2015 on a principal private residence. This relief is restricted to expenditure between €5,000 and €30,000
- **Air Travel:** Tax was reduced from €3 to €0 with effect from 1st April 2014
- **Capital Gains Tax (CGT):** The exemption from CGT on properties purchased between 2011 - 2013 and held for 7 years is being extended to the end of 2014
- **VAT rate on tourism related services:** the reduced VAT rate of 9% applied on certain services such as restaurants, hotels, cinema, hairdressing, etc, will remain at this lower rate for an extended period.

Measures introduced

A SUMMARY OF THE MEASURES INTRODUCED IN THE BUDGET INCLUDE:

- **Child benefit for fourth and subsequent child:** Cut to €130 from January 2014 from previous rate of €140 per month
- **Maternity Benefit:** Has been standardised at €230 per week for new applicants
- **D.I.R.T. (Deposit Interest Retention Tax) on savings:** Increased from a rate of 33% to 41%
- **Exit tax on Life Assurance policies and Investment funds:** Increased from 37% to 41%
- **One-Parent Family Tax Credit:** Replaced with a new single person child carer tax credit. It will be of the same value but available only to the principal carer of the child
- **Medical insurance tax relief:** Maximum tax relief is now restricted to premiums of €1,000 for adults and €500 for children
- **Jobseekers Benefit:** For under 25s has been altered to the following:
 - ❖ Age 18 - 24: €100 per week
 - ❖ Age 25: €144 per week
 - ❖ Age 26+: €188 per week.
- **Pint of beer/cider and measure of spirits:** Increased by 10 cent
- **75cl of wine:** Increased by 50 cent
- **Tobacco Products Tax:** Increased by 10 cent
- **Prescription Charge:** To increase to €2.50 per item – this charge began as a 50 cent levy in 2010.
- **Top Slicing Relief:** Previously restricted to just €200,000, this relief on ex-gratia redundancy payments will be abolished in its entirety from 1st January 2014
- **Bereavement Grant:** This €850 grant has been abolished.

2 EFFECT OF THE BUDGET ON YOUR RETIREMENT PLANS/AVC PLAN

Budget Implications for Pension and AVC contributions

THE BUDGET ANNOUNCED:

1 Tax Relief has been left unchanged.

This means that you will continue to enjoy generous tax relief at the same rate you are currently receiving on any contributions you make. Depending on your salary and tax credits etc., the percentage is either 41% or 20%. This is good news for AVC members and means that you can continue to avail of attractive tax breaks.

Example of tax relief (assuming 41%)

AVC contribution	€200
Less tax relief	€82
Real cost to you for every €200 you invest	€118

2 New Pension limit 2014

From 2014, the maximum an individual can fund for towards their Pension while availing of tax relief will be reduced from €2.3million to €2million. The age related calculation factor used for calculating the value of defined benefit pensions will be amended from a fixed multiplier of 20 to a range of calculation factors.

3 Pension Levy

The 0.6% stamp duty levy on pension fund assets is to increase to 0.75% for the year 2014. The levy will then be reduced to 0.15% for 2015.

4 Pre-retirement access to funded Additional Voluntary Contributions (AVCs)

As announced last year, you are now allowed a once-off option to withdraw up to 30% of the value of funded Additional Voluntary Contributions made to supplement your retirement benefits. Withdrawals will be liable to tax at an individual's marginal rate. The option to withdraw will be available up to March 2016.

5 State pension

There will be no reduction in the State Pension in 2014.



If you have any questions in relation to your AVC/PRSA,
please do not hesitate to contact us on **(01) 408 4162**

3 EFFECT OF THE BUDGET ON RETIRED PUBLIC SECTOR EMPLOYEES

There were some changes announced in the Budget which may affect you specifically as a retired Public Sector employee:

- **Invalidity Pension:** The €230.30 weekly rate will be discontinued for those aged 65 and reduced to the €193.50 currently paid to those under 65
- **Medical Cards for those aged over 70:** The income thresholds for medical cards for those aged over 70 years old have been reduced to €900 per week for a couple and €500 per week for a single person. Medical cards will be reviewed for those no longer eligible.
- **Health insurance premium:** The tax relief for medical insurance will be capped at €1,000 for adults and €500 for children.
- **Phone allowance:** The telephone allowance of €9.50 per month will be discontinued.



4 TOP MONEY-SAVING TIPS FOR 2014

With everyone feeling the pinch from the Budget, these money-saving tips should help you save money in other areas of your life.

Last chance to claim for your 2009 tax return!*

Many Public Sector employees don't file their annual tax return. If you aren't up to date in filing your returns, you could be due back money. In fact, the average tax refund for PAYE Public Sector employees was €1,150 last year.* You can claim tax back for a period of up to 4 years. What's more, if you didn't file your 2009 tax return then you only have until 31st December 2013 to claim for a refund for that year so now is the time to file your returns! 2009 was such a big year for refunds, with the Income Levy, PRSI and two Budgets that year! Don't miss out.

Grocery shopping – save up to €2,080**

Did you know that, on average, your grocery bill is your second biggest annual bill after your mortgage? According to research by the Marketing Science Institute, half of us shop 3 to 4 times per week. Shoppers making a "quick trip" to the supermarket end up buying more than they had anticipated. If this translates to €10 each time, that's an extra €2,080 annually.** You can do your grocery food shopping online to avoid impulse buys and check your supermarket's website before you go shopping to view their special offers.

TOP TIP – make a shopping list to avoid impulse buying and never go shopping on an empty stomach!

Make your lunch – save up to €960

If you are not already in the habit of bringing your lunch to work, there's no better time of year to start. It costs roughly €2 to make a sandwich and between €5 and €8 to buy one if you decide to eat out. Making your lunch every day could save you up to €960 per year.

Build your budget and stick to it

- Devising a clear budget at the start of the month will ensure you keep stress and money-related anxiety at bay
- Record your monthly expenses including mortgage, utility bills, food, family expenses, mobile phone and energy bills, socialising and other living expenses like toiletries and clothes
- To help you stay on track, keep your monthly budget in a place where you can easily refer to it, like your wallet.

TOP TIP – use a free online budget planner by logging on to www.nca.ie



Get a Financial Healthcheck

Following the budget and all the recent changes announced surrounding Public Sector financial rules, a financial planning appointment will give you a clear picture of your sick pay, superannuation and tax entitlements and help you plan better for your and your family's future.

Rethink your broadband/TV/phone providers: save up to €852***

Consider downgrading your TV package if you are not making the most of it. Sky's basic package costs €324 as opposed to their most advanced package of €1,176 per year. That's a saving of €852 per year.***

Save on mobile phone bills

- Review how much you could save based on your usage between your landline, mobile phone and broadband. Log on to www.callcosts.ie
- Get free Skype-to-Skype national and international phone and video calls anywhere in the world at any time through your laptop or mobile phone. See www.skype.ie
- Viber/Whatsapp are apps for your iPhone/smartphone that allow free calls and SMS messages to others with these apps.

Please be advised that while we reference external websites in this article, we cannot be held responsible for the information contained on external websites. Money saving tips correct on 15/10/13.

*Midas PAYE customer statistics, 2012. Midas is a tax-based service and not a regulated financial product. Cornmarket Retail Trading Ltd. is a wholly-owned subsidiary of Cornmarket Group Financial Services Ltd.

**Source: the Sunday business post, 08/04/2013.

***Source: www.sky.com.



There may be further changes in the Finance Bill. Every effort has been made to ensure that the information provided in this leaflet is accurate and up-to-date (October 2013). If you notice any errors or omissions please let us know. The information provided is of a general nature and may not address the specific circumstances of a particular individual. Cornmarket does not accept any liability whatsoever arising from any errors or omissions.



cornmarket
group financial services ltd

Christchurch Square,
Dublin 8.
Tel: (01) 408 4000
Fax: (01) 408 4011

Cork Office.
Tel: (021) 455 3335

Galway Office.
Tel: (091) 562 727

E-mail:
info@cornmarket.ie
Website:
www.cornmarket.ie

A member of the
Irish Life Group Ltd.